

FOR IMMEDIATE RELEASE  
CONTACT: (202) 225-5235

## The Boyd Report

"Don't Let Congress Count Chickens Before They Hatch" By Rep. Allen Boyd

This year, thanks to robust economic growth, Congress has reached a milestone. For the first time since 1969, the federal government is scheduled to achieve an on-budget surplus--financial gains on top of the Social Security Trust Fund surpluses. After years of burgeoning deficits produced by irresponsible spending and taxing decisions, Congress has been granted the once-in-a-lifetime chance to correct past mistakes and chart a new course of fiscal responsibility.

***And Congress is about to squander this golden opportunity.***

Just before departing for the August district work period, Congress passed the Republican Leadership's \$792 billion tax cut package. The Leadership says the surplus, projected to accumulate to \$1 trillion over the next decade, will cover the cost of this ten year tax break.

But assuming the *projected* surplus will actually materialize and grow to the level today's economists predict is no different than counting your chickens before they hatch. History has proven that it is nearly impossible to forecast economic conditions five years, let alone ten years, down the road. No one I know would rely on a ten year weather forecast--  
*do we want our government to base budgetary decisions on a ten year economic forecast?*

With this tax plan, the Republican Leadership is recklessly gambling the financial stability of future generations. If we codify these enormous tax breaks and the economy takes even a slight turn for the worse, Congress will be forced to return to the days of deficit spending.

Even if the economy maintains the status quo, the Republican tax cut is still likely to initiate deficit spending. Under the best assumptions, the Leadership's proposal severely short-changes current programs for education, veterans, the military, agriculture and health care. As we have seen in the past, Congress, as a political body, is more inclined to practice deficit spending than allow critical and popular government programs to go unfunded.

**Instead of passing a massive tax cut this nation cannot yet afford, Congress should adopt sound fiscal principles which focus on strengthening our economy through debt reduction.** Today, the national debt totals a staggering \$5.6 trillion. Over twenty percent of this enormous debt is held by foreign investors. Even more disturbing is the amount taxpayers spend each year in interest on the debt. Currently more than 25 percent of all individual income taxes is spent on interest payments. In 2000, the federal government will spend \$222 billion on net interest--13.4 percent of total government spending. That is more than Congress will spend on the entire Medicare program!

The projected on-budget surplus gives Congress the unique opportunity to reduce the national debt during a time when the economy is strong. In fact, paying down the debt will further

energize U.S. markets. With each dollar of debt we pay off, we lower our interest costs, and thus, we save more than a dollar. By decreasing the debt, the federal government puts downward pressure on interest rates. Lower interest rates boost domestic investments and serve as a tax cut for Americans who will benefit from lower interest on home mortgages, car loans and credit card accounts.

Unfortunately, our opportunity to make debt reduction a priority may not last long. While the economy is pumping strong today, by 2010, when the baby boomer generation begins to retire, demographic changes will create budgetary pressures that could curtail this growth. As the population of retired Americans increases, so do the government's outlays for Medicare, Social Security and other expensive retirement programs. The Republican tax plan does not factor in a *ny* of these added costs.

Then Congress returns to Washington in September, the Leadership will send its tax package to President Clinton for an anticipated veto. The tax battle, however, will not end at the President's desk. As Congress resumes its fight over how to spend the projected surplus, I will continue to work with like-minded colleagues to advance sound fiscal alternatives to this tax plan. For the sake of our children and grandchildren, who will be saddled with the debt which we have incurred, it is our duty to pay down the federal debt. With your support, we can ensure the government charts a course of fiscal responsibility.